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ASSESSMENT OF AGRO-VETS AND SERVICE PROVIDERS IN NEAT PROJECT AREAS

NEPAL, ECONOMIC, AGRICULTURE, AND TRADE ACTIVITY

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Nepal Economic Agriculture, and Trade Activity—Assessment of Agro-Vets and Service
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Contract No. EEM-I-00-07-00008, AID-367-TO-11-00001
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ACRONYM LIST

| | |
|---------|--|
| AIC | Agriculture Inputs Company |
| CEAPRED | Center for Environmental and Agricultural Policy Research Extension and Development |
| DLSO | District Livestock Support Office |
| DADO | District Agricultural Development Office |
| DOA | Department of Agriculture |
| DOL | Department of Livestock |
| GMP | Genetically Manipulated Products |
| GON | Government of Nepal |
| NGO | Non-Government Organization |
| PAON | Pesticide Association of Nepal |
| SEAN | Seed Entrepreneurs Association of Nepal |
| SCC | Savings and Credit Cooperative |
| TOT | Training of Trainers |
| USAID | United States Agency for International Development |
| VDC | Village Development Committee |
| WHO | World Health Organization |

I. EXECUTIVE SUMMARY

The objective of this report is to assess the agro-vets and service providers in NEAT's geographic coverage area and provide key insights into their current capacity while detailing the specific services they provide.

A semi-structured questionnaire was developed jointly with NEAT staff and used to interview 45 agro-vets and other service providers in the West, and 15 in the East. Many small, medium, and commercial farmers expressed their experiences with service providers and with GON agencies. Constructive discussions were also had with several government representatives. The findings in this report were discussed in various brainstorming sessions with NEAT and the Seed Entrepreneurs Association in Nepal (SEAN) staff in Kathmandu.

No relevant differences were observed between the western and the eastern parts in the NEAT area. Only minor differences exist between service providers in the main cities and in the Terai. However, there are considerable differences between the main cities and the VDC centers; as well as with rural areas in the Hills. In the Hills, women play a more active role, men often have other jobs, and the selection of inputs is wider than the more specialized service providers in the Terai. Expiry dates are more important in the Hills than elsewhere.

All farmers interviewed preferred hybrid seeds; however, the supply is less than half of the demand except for tomato varieties. Nepal does not produce its own hybrid seeds, so it depends on imports, mainly from India. India's subsidies are higher than Nepal's, which leads to considerable smuggling. Many illegal tradesmen sell seeds, frequently of inferior quality, to innocent farmers.

This assessment will provide highlights in several areas including:

- An explanation of the methodology used to gather and analyze data.
- An overview of the business operations of agro-vets, wholesalers, and other input providers in Nepal.
- Products and services offered by various input providers in NEAT project areas.
- Specific Government of Nepal (GON) agricultural policies that restrict opportunities to develop a strong business enabling environment.
- A SWOT Analysis of the service provider sector in NEAT project areas.
- Recommendations for the NEAT voucher program and NEAT's engagement with agro-vets and input providers.

II. METHODOLOGY

The international consultant arrived in Nepal on April 28, 2011. Upon completion of the jointly prepared questionnaire used for this assessment, he was admitted to the hospital for three days with malaria and dengue. Fortunately, he was able to resume his tasks immediately after release from the hospital.

The study further suffered from a series of general strike days (known as *bandhas*), during which many Nepalese citizens took the streets to advocate for an inclusive constitution.

Due to the hospital stay and increased time pressure, thorough test interviews were not conducted. During the field work, several detailed questions, for instance related to profit margins, were omitted, while several others, mainly related to agro-vets' possible involvement in marketing and their expectations for involvement with the NEAT voucher system, were included in the questionnaire.

Based on the aforementioned questionnaire, semi – structured interviews were arranged with several stakeholders from May 12 – 28 in Western and Eastern Nepal. Specific locations included the urban centers of Nepalgunj, Butwal, Terai, and in various district centers and Village Development Committees (VDCs) in the Hills. Interviews in the East were conducted in Biratnagar, Ilam, and in VDCs including Panchtar and Birtamod.

Additionally, many (small, medium and commercial) farmers explained their experiences with the service providers and with government agencies. Also, NEAT staff in the field as well as in Kathmandu explained their experiences with service providers so far, and expectations of the NEAT activities.

Over the course of this assessment, the emphasis on “assessing agro-vets and service providers” was reduced, while more emphasis was put on “assisting NEAT staff in familiarizing themselves with, and assessing agro-vets and service providers.”

In the final week of the assessment period, all of the information gathered was analyzed and discussed with NEAT staff in Kathmandu. Several formal and informal brainstorm sessions were conducted with NEAT staff, (I)NGOs, and SEAN staff who were asked to verify information, and to determine realistic conclusions and recommendations.

III. INITIAL FIELD ACTIVITIES

NEAT's first activity was a Training of Trainers (TOT) course for all field staff. Subsequently, work began with the selection of VDCs, and identifying beneficiary households. The main criteria for VDC selection included:

- Poverty level
- Vulnerability
- Available and potential irrigation facilities
- Access to roads
- Availability of Agro-vets and service providers

Criteria for household beneficiary selection included:

- Food security: less than 12 months per year food secure (emphasis on families with 3 – 6 months food security; moderate emphasis for those with 6 – 9 months food security, and least emphasis on 9 – 12 months food security)
- Family land holding(s)
- Willingness to cooperate with NEAT

Following the selection of beneficiaries, the field staff grouped them in teams of 15 in the Hills and 20 – 25 in the Terai. These beneficiaries are required to elect their own leadership committees made up of a chairperson, treasurer, secretary, and two members. Members formulate their own rules, regulations, and meeting schedules. The needs of all beneficiaries were assessed in terms of seeds, fertilizers, and other agricultural inputs (for example tools and equipment).

Based on the expressed needs of the beneficiaries, the total need in each specific NEAT area was estimated. Initial agricultural input quotations were collected in June to compare prices. One key observation I noted was that NEAT field staff is operating at a high level in isolated areas. They are well motivated, and do not complain about challenging living and working conditions.

IV. BUSINESS OVERVIEW

The agro-vet business in Nepal is very strong and profitable. Only 2 out of 60 interviewed agro-vets described their business as “stagnant¹.” Agro-vets are well trained, and usually have a suitable educational background. Apart from a couple of elderly agro-vets, almost all were interested in expanding their businesses, but very few had detailed expansion plans.

No agro-vet or other service providers interviewed described having a “clear business plan.” Nevertheless, the notable success of the businesses I examined leads me to believe they must have a clear- yet informal- plan on how to conduct and expand their business activities.

A rough estimate of the agro-vets' annual profit margin is between Rs. 100,000 and Rs. 500,000 for small agro-vets (who often have a second source of income), and Rs. 10 – 20 million for bigger ones.

¹ Both in the Hills; both had secondary sources of income

Almost unanimously, agro-vets complain about unfair competition with traders who illegally import seeds, fertilizers, insecticides, and pesticides of inferior quality from India. These inputs are sold at cheap prices, usually at the – informal – “hat bazaar.” This is difficult to control for the GON authorities.

A few agro-vets complained about NGOs supporting farmers by distributing subsidized or free inputs, thus unfairly competing with regular agro-vets. In many other cases, agro-vets expressed having healthy relationships and fruitful cooperation with NGOs.

A very small amount of seeds are produced in Nepal, although there is high potential in the Hills due to its geography. A few wholesalers produce a small amount of seeds on their own farms through the help of seasonal laborers or “contract farmers” who are paid after producing quality seeds. Wholesalers and input providers who produce their own seeds are experienced and efficient at branding their seeds.

The overwhelming majority of seeds sold in Nepal are imported from India. Other countries that export seeds to Nepal include Thailand, Japan, and South Korea. Nepal does not have production facilities for insecticides or pesticides, so the country is entirely dependent on India and other countries for these products.

Communication between wholesalers and importers is typically conducted via telephone. Wholesalers will typically meet face to face with importers no more than once a year. Communication between agro-vets and wholesalers is more frequent, and personal, however the meetings are very informal. At the district and local level, communication is based on personal communication, and via telephone.

V. MANAGEMENT AND FINANCING

While wholesalers usually have a staff of 5-10, agro-vets usually are run by one, two, or a maximum of three people (often relatives). The manager of the retail shop is usually also the owner, or the spouse of the owner. Almost all have a suitable educational background, and have participated in several technical training courses organized by government agencies or NGOs. None of the agro-vets interviewed indicated that they had participated in a business management course.

Prior to receiving official registration, agro-vets are required to attend and pass an exam facilitated by the District Agriculture Development Offices (DADOs), after a three day training course. Only successful agro-vets will obtain their licenses and be allowed to operate legitimately. A 35 day course is required to receive a licence to work with livestock feed and medicines. It often takes up to one year before the license is officially issued.

When agro-vets need loans for start up costs or expansion, they usually borrow from relatives, banks, or from a Savings and Credit Cooperative (SCC). Collateral is required for bank loans and interest rates are an average of 15 – 25 %. Relatives and SCCs charge similar rates.

Some agro-vets visited began their businesses more than 20 years ago, while others recently started less than a year ago (and have already made a small profit). Most agro-vets started their business by self financing or by borrowing from relatives and friends. On average, agro-vets expressed that their start-up costs were as low as Rs. 25,000 to Rs. 100,000 (keeping in mind that many started more than 20 years ago).

Most agro-vets were not willing to explain in detail about their investments and business turnover (volume and value). The best information was collected when interviewers inquired about financial supporters for the start-up phase. The most remarkable observation was that nobody mentioned a Microfinance Institution (MFI), NGO, or GON entity as a funding source. Most agro-vets expressed frustrations about seeking financial support from banks due to burdensome paperwork. Relatives and friends charge high interest rates in exchange for loans, sometimes over 20%. Cooperatives were also mentioned a few times, although they also charge interest rates of 15 - 20%.

Wholesalers maintain close ties with the agro-vets and other input providers in their areas. These relationships allow for the purchases of large quantities of inputs often with up to 50% of the volume on credit. As soon as the agro-vets receive their sales income, they repay their supplier. Interviewees indicated that interest is not charged in this arrangement.

Agro-vets do try to limit their sales on credit, but in many cases (probably 50% of the time) they cannot avoid this practice. Opinions vary about the benefits. Some agro-vets claim they have to sell on credit to poor farmers, who really have no money until after the harvest. Others indicate that more successful farmers are benefitting because they threaten to buy from other agro-vet retailers if they are not allowed to receive inputs on credit. It was reported that poorer farmers repay credit more than rich farmers. However, evidence could not be obtained to support this.

Almost all agro-vets interviewed have a good educational background and have participated in several technical training courses related to their agriculture, horticulture, or livestock practices. With few exceptions (mainly elderly persons), most are very interested in further training to update and expand their technical agricultural skills. Interestingly, most interviewees were not interested in training that would enhance their business acumen. They are mainly interested in free training, but several interviewees expressed a willingness to pay a nominal course fee provided the training would truly benefit them.

VI. SALES AND MARKETING

Wholesalers usually focus on one list of loyal customers. The most common promotional concept used is distribution of business cards. One wholesaler interviewed produced and distributed promotional calendars. Many wholesalers include some basic information about seeds including plant density, transplanting time for rice, and recommended fertilizers to use, along with their contact information in the seed packages they sell. In the Hills, many agro-vets use FM radio to announce new varieties and availability of certain products.

Some agro-vets spend considerable time visiting their customers' fields and farms. Other agro-vets, particularly those who are managing their retail outlets alone, rarely have an opportunity to visit farmers who purchase inputs from them.

All retailers and wholesalers interviewed expressed that they primarily rely on "word of mouth" for their marketing needs. Clear explanations at the shops often with hand-written drawings and friendly rapport are typically considered the backbone of establishing strong partnerships in rural Nepal.

When a wholesaler is convinced that a new seed variety is superior to previous varieties, a limited number of small packages are usually produced for distribution to genuinely interested farmers, via selected retailers, free of charge. Only in rare cases do wholesalers produce

marketing and promotion materials. They typically do not do more than distribute leaflets and brochures if they receive them from their suppliers.

Competition among agro-vets seldom leads to unhealthy relationships. Agro-vets compete on a relatively small market and occasionally they work together and form a united front. For this reason it can be recommended to encourage more cooperation between agro-vets in the same region to support common interests (more on this in the “recommendations” section).

At the time our survey was conducted, the monsoon season had started early in Nepal. Many farmers urgently tried to buy seeds and fertilizers which we initially thought directly led to a shortage of fertilizers and seeds. After further investigation, we learned that the shortages were structural and not necessarily a direct result of the monsoon season. Nepal suffers from structural shortages of fertilizers and hybrid seeds for cereals and vegetables.

Although agro-vets are clearly on the input sales side of agri-business, they have a logical interest in the farmers’ ability to sell their harvest at a good price. Many farmers have to repay their credit to the agro-vets and the more money the farmers make this season, the more money they will have available next season to purchase more inputs with less credit.

In the Terai, this logic does not appear to hold true. Farmers in the Terai have several alternatives for selling their harvest. If one trader does not pay enough, they approach another one at a comparable distance from their farms. As a result, Terai agro-vets do not typically support their customers in selling their produce.

In the Hills, farmers have fewer alternatives and have to accept prices offered by a limited number of traders. The agro-vets and the farmers tend to have very strong relationships and agro-vets feel more inclined to support their community.

A few of the Marketing Centers we visited that were developed by the GON are now run by local cooperatives specializing in vegetables. Farmers deliver their harvest to the market center, and a committee or cooperative provides transportation to a nearby urban center. Farmers seem to be satisfied with this situation; no serious conflicts were reported.

VII. PRODUCTS AND SERVICES

In the Terai and in the cities, agro-vets are more specialized; in the Hills, customers require agro-vets to have a broader stock of inputs. In the pre-monsoon season rice seeds are in high demand, especially in the Terai. Hybrid seeds are preferred over open pollinated seeds everywhere we visited (for cereals but even more for vegetables). Availability of inputs is the most restricting factor to sales; the farmers’ limited financial capabilities are the second most restricting factor.

There are some regions in the Hills where farmers specialize in vegetable cultivation. From the input side this is profitable because transport of small quantities of high value seeds is relatively easy and cheap. One challenge for the farmers is that vegetables are perishable and need to be transported carefully within a short period of time. Considerable quantities of vegetables can be clearly seen for sale in the local markets. There appears to be a high demand for them.

In a few areas, Marketing Centers were developed (with GON support) and in other areas, small “vegetables cooperatives” were established (also supported by the GON) through which farmers

are able to charge higher prices for their products. However, these are limited to local initiatives and their appeal is restricted to specific locations.

Most of the products sold by agro-vets in the areas we visited are open pollinated and hybrid cereals, followed by pesticides and vegetables seeds. Based on our observations, hybrid seeds are the most expensive product, followed by pesticides and open pollinated seeds. One challenge we experienced with our interviews was that agro-vets rarely wanted to discuss specifics regarding their profit margins. Despite this obstacle, it seems fair to estimate the overall price margin is somewhere between 10 – 15%. The highest margins (up to 50%) are for open pollinated seeds, and seeds that are bought in bulk and re-packed in small packages. Pesticides are sold with an estimated 25% profit margin. There is an extremely low profit margin of approximately 4 – 5% with fertilizers. Almost all agro-vets interviewed indicated that they are providing advisory services to farmers free of charge.

Information acquired from our interviews leads us to believe that wholesalers seem to make an average of 10 – 15% in profits. Retailers probably make between 20 – 25%.

In the last few years, poultry farms have become prevalent in both the Hills and the Terai. Sales of poultry vaccines and nutrients have increased considerably. No mention was made of problems with availability of feeds or medicines. In the livestock sector, it can be estimated that vaccines are the products with the highest profit margin, about 25 – 30%.

Agro-vets differ on appropriate strategies to respond to farmers' complaints that seeds or pesticides are of inferior quality. Some agro-vets actively visit their customers to see for themselves if the product was of poor quality. Others, particularly those who manage stores alone, cannot provide that service. In one instance, an interviewee had provided one of his farmers with bad seeds last year. The wholesaler and the agro-vet shared the costs of Rs. 3.5 lakh as compensation. The agro-vet expressed that his actions were necessary in order to maintain his good standing in the community.

VIII. BUSINESS ENABLING ENVIRONMENT

The relationship between the service providers and the GON is reasonably good. The major complaint expressed by interviewees was that the government has good agriculture policies, but they are not implemented well, if at all.

For imports, some agro-vets reported that customs officials have a reputation for taking bribes which leads to the illegal importation of agricultural inputs which are often inferior to those acquired through legal channels. A related complaint is that the GON tolerates the porous border with India, where subsidies to stimulate agriculture are prevalent, thus distorting market prices in Nepal.

According to Nepalese government policy, veterinary medicines which do not meet World Health Organization (WHO – GMP) standards are not allowed to be sold in Nepal. Veterinary shopkeepers interviewed for this study feel that India has looser standards on their veterinary medicinal products and many expressed that Nepal should develop their own standards instead of relying on the WHO.

There was a feeling among interviewees that the GON is trying to take measures to stimulate the agri-business environment. Not levying taxes on tractors is one major accomplishment. However,

a major complaint is that other essential agricultural equipment, sprayers being the most important, are not exempt from taxes.

Another major complaint submitted by the agro-vets is that the GON only allows cooperatives to sell fertilizers approved by the Agriculture Inputs Company (AIC) which is a state sponsored organization. Imports need to be approved by AIC, and they only allow about one third of the market demand to be sold. This leads to considerable frustration among affected stakeholders.

For the past two years, VDCs have received a subsidy in exchange for developing agricultural cooperatives. Agriculture cooperatives receive almost a 50% subsidy on imported fertilizers. Agro-vets have far less outreach capacity than cooperatives in isolated areas, and they are unable to compete against agricultural cooperatives. Farmers and agro-vets in isolated areas suffer as a result of this arrangement.

In one area in the Hills, the District Livestock Support Officer (DLSO) provided a few entry level agro-vets with a relatively small interest free loan of Rs. 18,000. It is unclear whether this was a personal initiative, or if there is a policy that promotes this type of support to entry level agro-vets.

IX. THE NEAT VOUCHER SYSTEM

The scheduled NEAT voucher system was explained to interviewees. The overwhelming majority of agro-vets liked the idea; nobody complained about the 2 – 3 months they likely will need to wait before being paid. Only few critical comments were noted: a few agro-vets doubted whether poor farmers would be able to pay for 40% of the input cost. Some agro-vets expressed that farmers will most likely need to borrow to make their financial contribution at a high interest rate.

Many agro-vets we observed appeared to be disorganized in their management. If selected for participating in the NEAT voucher activities, it is doubtful whether they will be able to keep proper records. A one or two week training will be absolutely critical in order for the voucher system to be successful.

Coincidentally, the GON is implementing a similar voucher system with maize called “The 33% Maize Project” that should be reviewed by NEAT staff. At least one senior NEAT staff member has experience with a similar project in the Far West.

X. SWOT ANALYSIS

a. Strengths

The people of Nepal have proved to be able to survive under extremely difficult climatic, socio-economic, and security conditions. During the recent civil war they managed to continue to produce enough food to survive. In a short period they revived their economy, restructured the infrastructure and created possibilities for a better future for themselves and their children.

Service providers have played a pivotal role in the introduction not only of hybrid seed varieties in the early 1980s- but also of fertilizers, insecticides, pesticides, and new tools and equipment. Initially the agro-vets of that period were unprepared for this role, but ultimately they managed with substantial success.

Due to relationships built on trust, service providers are able to supply inputs to the farmers. Without support by the GON and a minimum of written documents, they still manage to serve the farmers in a satisfactory way.

NEAT's field staff are off to a good start. In often difficult and isolated areas, with erratic electricity and the absence of internet connection, they are well motivated, and do not complain about sometimes adverse living and working conditions. They are well-qualified, their supervisors are very experienced, and all will be equipped with proper means of transportation.

b. Weaknesses

The service providing sector in landlocked Nepal is dependent on its big neighbor, India. For this weakness there is no remedy. However, being weak and small compared to India may also have its advantages ("blessings in disguise") in the sense that India does not really care about Nepal. Smugglers use this lack of interest illegally, but the GON may try to use it formally and officially by sneaking through the net of international arrangements with more favorable arrangements.

Another weakness is the young and weak economy. More than 10 years of civil war with all its moral, financial and economic consequences cannot be compensated in a few years. "Time" needs to play an important role in the recovery and development of Nepal, in all respects, including agriculture, horticulture, and livestock development.

The climate and topography are other problems for the farmers, and for the agro-vets. Hot, wet summers with dry and relatively cold winters; long distances without proper roads, erratic electricity, if at all, and other often failing provisions in mountainous areas, are preventing joined efforts by all stakeholders.

Finally, it is not easy to establish strong ties between historically hierarchical caste groups within the population. The recent civil war, and consequently the weak GON institutions make reinforcement of the law an almost impossible task.

NEAT staff only started recently; many of the field staff are inexperienced and need intensive support and coaching. It will take time to establish strong communication between NEAT headquarters in Kathmandu, the regional centres, and the district level staff.

c. Opportunities

Production of quality hybrid seeds, in particular in the isolated areas of the Hills, is one of the most promising enterprises in Nepal. Limited support by GON and / or NGOs could create an excellent environment for big successes to limit the dependency on the import of hybrid seeds.

Agro-horticulture potential in Nepal is still enormous: with better provision of inputs, better trained farmers, more efficient ways of marketing with increasing possibilities for profits could facilitate production of more and better food, as well as seeds.

While present day interest rates of around 20% per year are not prohibitive for development, it certainly does not encourage investment. A reduction in interest rates will certainly lead to more investments, thus creating jobs which on their turn will enhance consumption.

NEAT's role, at least initially, to use these opportunities is limited. However, in cooperation with like-minded organizations and projects, it could make its voice heard in future.

d. Threats / Risks

The political situation is far from clear. It seems the political leaders (of all parties) have lost contact with the ordinary citizens. Dissatisfaction about the continuing chaotic political situation is general; “*bandahs*” are frequent, in a context where timely supply of inputs is critical.

Agriculture and agriculture-related activities are dependent on the weather. Agro-vets and farmers always remain dependent upon rain, sunshine, temperature and wind.

Also, farmers and agro-vets remain dependent on diseases. In their absence, good harvests are possible. Diseases can destroy everything, and lead to zero harvests. Prevention measures help, however, the risks are always there.

Finally, landlocked Nepal will always remain dependent on India, “third countries,” and prices and availability of inputs on the world market.

NEAT's role can be no more than training / coaching farmers, enabling agro-vets to have inputs available, and to support GON measures to decrease dependency.

XI.CONCLUSIONS AND RECOMMENDATIONS

Two conclusions are very clear:

- NEAT should research other voucher systems that have been successful.
- NEAT should thoroughly analyze and monitor the GON “33% Maize Project.”

Other recommendations:

There is no reason to assume that all agro-vets will be reliable partners to NEAT. Many agro-vets lack the will to change. Having said that, many agro-vets have been instrumental to the introduction of hybrid seeds. A careful assessment should be conducted with the goal of measuring the willingness of the agro-vets to support poor farmers. Agro-vets will need to invest time and energy in learning better administrative, managerial, and technical skills to achieve quality cooperation with NEAT activities.

- a. In the selection of participating agro-vets, financial capacity should not be the only criteria reviewed. The skills and abilities that the agro-vets will need to deal with unforeseen challenges should also be taken into consideration.
- b. I recommend that NEAT assess the possibility of organizing agro-vets into regional “unions” or “associations.” The organized groups should advocate for certain policies. Possible advocacy issues include:
 - i. Lobby the GON to limit or eliminate the sale of illegal inputs from India.

- ii. Lobby the GON to reduce the wait time for participating in required training courses for input providers to receive certificates. Also, speed up the time it takes for successful participants to receive their certificates.
 - iii. Improve the credit facilities for agro-vets, particularly for start-ups.
 - iv. Lobby the GON to decrease or eliminate the taxes on micro-nutrients, sprayers, and dusters (currently 26% in taxes). The practice of AIC approving only one-third of fertilizers demanded by the market and then limiting their sale only through cooperatives should be examined and improved.
- c. Assess the possibility of involving the agro-vets in marketing of agriculture and horticulture produce. Training will need to be provided.
- d. The critical point for NEAT success is that the selected agro-vets are able to supply the required inputs. Since fertilizers are the most important item in the supply chain, it might be necessary to make specific deals with AIC and/or cooperatives involved in the sale of fertilizers. One option might be preparing Memorandums of Understanding with AIC and other fertilizer stakeholders.
- e. NEAT should encourage Nepalese seed producers to produce more quality hybrid seeds and look into organizing Public-Private Dialogues (PPD) with foreign hybrid seed producers. PPDs could initially be explored with Monsanto, East-West Seed Company, and Chia Tai Seeds Company.
- f. A Memorandum of Understanding (MOU) should be arranged with both SEAN and the Pesticide Association of Nepal (PAON) to support agro-vets in NEAT areas.
- g. A training program should be developed to train agro-vets in NEAT areas in skills such as business management and technical training. NEAT can possibly hire trainers through SEAN or other agri-business associations.
- h. Interest rates of 20 – 25% per loan limit agricultural development, especially for starting enterprises and severely impact profits. More and cheaper financing options should be encouraged and extended to farmers.
- i. The information collected leads me to believe that the GON livestock extension service functions far better than the agriculture extension service. I recommend a closer partnership with the DLSO.

ANNEX A: ITINERARY

| | |
|---------|--|
| W 27/04 | departure Holland |
| T 28 | arrival KTM; orientation / briefing |
| F 29 | orientation / briefing |
| S 30 | orientation KTM |
| S 01/05 | orientation KTM |
| M 02 | initial visits to agro-vets and other stakeholders, Gov't offices, etc. in KTM |
| T 03 | initial visits to agro-vets and other stakeholders, Gov't offices, etc. in KTM |
| W 04 | initial visits to agro-vets and other stakeholders, Gov't offices, etc. in KTM late afternoon: into CIWEC hospital |
| T 05 | hospital |
| F 06 | hospital |
| S 07 | released from hospital |
| S 08 | orientation / reading documents; discussion with Dhiraj |
| M 09 | orientation / reading documents; discussion with Phil and Dhiraj; prepared note for adjusting TOR and travel scheme |
| T 10 | preparations; interviews with service providers, incl. agro-vets |
| W 11 | preparations, interviews with service providers, incl. agro-vets |
| T 12 | flight to Nepalgonj; ("bandh"), discussion with Virendra, Regional Manager |
| F 13 | "bandh" → still: discussions with Virendra and Misha, District Manager |
| S 14 | field visit to Mainapokhar |
| S 15 | again "bandh"; discussion with one wholesaler in NPG |
| M 16 | NPG; visits to service providers |
| T 17 | NPG; visit to Surkhet |
| W 18 | travel NPG to Ghorani |
| T 19 | Ghorahi → Kaporkut → Salyan |
| F 20 | Salyan → Ghorahi |
| S 21 | Ghorahi → Pyuthan |
| S 22 | travel Pyuthan → to Butwal |
| M 23 | Butwal → Kaspilbastu → Butwal |
| T 24 | Bandh, so office work in Butwal regional office |
| W 25 | Butwal → Arkhakanchi |
| T 26 | Arkhakhanchi → Butwal |
| F 27 | Butwal (field visit Palpa |
| S 28 | return to KTM by air |
| S 29 | analysing observations; drafting / formulating conclusions and recommendations |
| M 30 | analysing observations; drafting / formulating conclusions and recommendations |
| T 31 | analysing observations; drafting / formulating conclusions and recommendations |
| W 01/06 | analysing observations; drafting / formulating conclusions and recommendations |
| T 02 | debriefing |
| F 03 | departure from Nepal |
| S 04 | arrival in Holland |

ANNEX B: QUESTIONNAIRE USED FOR INTERVIEWS

NEPAL ECONOMIC, AGRICULTURE AND TRADE (NEAT) ACTIVITY

Private Service Provider Assessment Questionnaire

Assessed by:

Date:

Purpose

To get key insights into the current capacity of the agro-vets and service providers as well as assess the current services provided by these entities.

This questionnaire is divided into the following question sections:

| | |
|--|-----------|
| I. Business Overview | 15 |
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I. Business Overview

1. Name, address and contact details of service provider

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2. Business type

(Stockist, wholesaler, retailer or all)

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3. Business structure

(Purely shop based or organizational)

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4. Geographical coverage

(Nationwide or regional and those in the districts/VDCs, how many VDCs/wards are covered)

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5. Ownership and legal registration

(Sole trading or partnership, and where is the firm registered)

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6. Main products for dealership/retailing

(Purely shop based or organizational)

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II. Management and Financing

7. Number of staffs employed

(full-time, part-time or family members)

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8. Owner and staffs' qualification

(Education, knowledge, skills, experience etc)

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9. Owner and staffs' training

(Technical, service delivery, business, contracting etc)

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10. Training provider

(In-house, government, NGOs or donor programmes)

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11. Training need

(Required or desired by owner or staffs to upgrade the business)

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12. Investment and working capital

(Current and planned, constraints if any)

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13. Sources of financing

(Bank, MFI, donor, government etc)

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III. Sales and Marketing

14. Target customers

(large commercial farmers, smallholder farmers, retailers, govt, NGOs etc)

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15. Annual turnover

(Volume and value)

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16. Sales breakdown

(Number and volume vis-à-vis targeted customers)

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17. Sales variation

(Customers and area wise)

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18. Promotion mechanism

(Marketing, sampling, field demonstration, direct sales, word of mouth etc)

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19. Distribution channel

(Retail shop, dealers, agents)

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20. Challenges and constraints to sales and marketing

(Same or different for agro-vets and non-agro-vets)

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IV. Products and Services

21. Available products

| SN | Products | Yearly Sales Volume and Trend* | Price and Margin | Supply Sources |
|----|---|-----------------------------------|------------------|----------------|
| 1 | Vegetables seeds: | | | |
| | Hybrids | | | |
| | Open pollinated | | | |
| 2 | Cereal seeds: | | | |
| | Hybrids | | | |
| | Open pollinated | | | |
| 3 | Fertilizers (NPK base fertilizers) | | | |
| 4 | Micro-nutrients | | | |
| 5 | Organic and liquid fertilizers | | | |
| 6 | Pesticides | | | |
| 7 | IPM materials | | | |
| 8 | Small equipment (sprayers, power dusters) | | | |
| 9 | Irrigation equipment (motor, treadle pumps, sprinklers) | | | |
| 10 | Vaccines | | | |
| 11 | Crates and packaging materials | | | |
| 12 | Weighing machines/balance | | | |
| 13 | Cold chains/chambers for vaccines | | | |
| 14 | Vet. Medicines | | | |
| 15 | Feeds | | | |
| 16 | Silpaulin plastic, poly bags etc | | | |
| 17 | Others (if so, please specify) | | | |

| SN | Products | Yearly Sales Volume and Trend* | Price and Margin | Supply Sources |
|----|----------|-----------------------------------|------------------|----------------|
| | | | | |

* Increasing, decreasing or constant

22. Highest volume products and highest income earning products

23. Opportunities for new products and markets

(Market demand, customers and connectivity)

24. Service Offerings

(Agronomy, technical training, breeding etc)

25. Fee based or embedded

(Charge separately for service or provided free along with products)

26. Technical extension materials and sourcing

(Booklets, brochures, instruction materials etc)

27. Clients financing facility

(If yes, how and through whom)

28. Farm Demonstrations

(If yes, is funding provided by govt, NGOs or donors. If no, would they be willing to conduct or co-finance and what % level)

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V. Business Enabling Environment

29. Government regulations concerning agro-vets and other service providers

(Same/Different)

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30. Policy issue constraints for agro-vets and other service providers

(Same/Different)

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31. Other constraints

(Laws, procurement and supply, financing, infrastructure, technology etc)

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ANNEX C: RESPONDENT CONTACT DETAILS

| N. | Name of Respondent | Name of Agro-vet | Address | Tel | Important Remarks |
|----|-------------------------------|-------------------------------------|---------------------------|------------|---|
| 1 | Mr Pushpa Shakya | Adarsha Agro Concern | Kalimati, KATHMANDU | 4278774 | |
| 2 | Mr Chitra Adhikari | NEMACOL | Kalimati, KATHMANDU | 4278564 | Agriculture Co-operative |
| 3 | Mr Om Bahadur Dara | Himalayan Agro-Enterprise Centre | Kalimati, KATHMANDU | 4670821 | Also seed producer and got research center in Chitwan |
| 4 | Mr Durga Adhikari | SEAN Seed Service Center Ltd | Thankot, KATHMANDU | 4310245 | Also seed producer and got research center at Thankot |
| 5 | Mrs Mansi Tayal Bagaria | NIMBUS | Kamladi, KATHMANDU | 4229831 | Shortly starting agri produces and food chain all over Nepal |
| 6 | Mr Natra Bahadur Chaudhary | National Agro Center | Lagankhel, KATHMANDU | 5548383 | |
| 7 | Mr Jakhan Chaudhari | Milan Agrovet | Mainapokhar, BARDIA | 9848022723 | |
| 8 | Mr Ram Prasad Acharya | Acharya Agrovet | Gularia, BARDIA | 084-420834 | |
| 9 | Mr Krishna Kumar Shrestha | Shrestha Agrovet | Motipur, BARDIA | 9848173515 | |
| 10 | Mr Jib Lal Aryal | Aryal Agrovet | Magragadi, BARDIA | 084-692023 | |
| 11 | Mr Padam Sapkota | Surya Agrovet | Magragadi, BARDIA | 9748012549 | Did not use questionnaire, only discussion |
| 12 | Mr Bhim Subedi | Annapurna Agro Pharma | Nepalgunj, BANKE | 081-521203 | One of the largest agrovet in Nepalgunj |
| 13 | Mr Hom Bahadur B.K. | National Vet Center | Nepalgunj, BANKE | 081-525600 | Met one of the company's representative there |
| 14 | Mr Som Kant Aryal | Nepal Agrovet Centre | Nepalgunj, BANKE | 081-523377 | Visited and assessed order deliveries |
| 15 | Mr Jitendra Shrish | Shrish Agrovet Center | Birendranagar, SURKHET | 083-521956 | |

| | | | | | |
|----|---------------------------|-----------------------------------|------------------------|------------|--|
| 16 | Mr Prem Bahadur B.K. | Bijaya Agrovet Center | Birendranagar, SURKHET | 083-521323 | Mainly concentrates on poultry items due to high demand |
| 17 | Mrs Devi Kumari Acharya | Pralahad Pangali Agrovet Center | Birendranagar, SURKHET | 083-521008 | First lady shopkeeper and a widow taking care after her husband expired |
| 18 | Mr Madhav KC | Swargadwari Agri Nepal | Tulsipur, DANG | 082-522561 | One of the largest in area and runs free advisory services on local fm |
| 19 | Mr Nirmal Acharya | BT Agrovet | Tulsipur, DANG | 082-521338 | Again largely concentrating on poultry items |
| 20 | Mr Amar Raj Gautam | Gautam Agrovet | Ghorahi, DANG | 082-560247 | |
| 21 | Mr Ek Narayan Poudel | Sidhartha Agri Center | Ghorahi, DANG | 082-560529 | Lady was taking care of shop in husband's absence |
| 22 | Mr Nar Bahadur Adhikari | Kissan Agrovet | Ghorahi, DANG | 082-561154 | |
| 23 | Mr Dil Bahadur Budhathoki | Kissan Agrovet | Kapurkot, SALYAN | 9748525946 | |
| 24 | Mrs Sharada Sharma | Unnat Krishi Kendra | Kapurkot, SALYAN | 9748502520 | Lady was taking care of shop as husband works full time in Khalanga |
| 25 | Mrs Kalpana Sharma | Himali Agrovet | Kapurkot, SALYAN | 082-691065 | |
| 26 | Mr Prem Kumar Acharya | Deep Traders & Suppliers | Kapurkot, SALYAN | 9748508464 | Fertilizer dealer. Did not use questionnaire, just discussion |
| 27 | Mr Man Bahadur Bhandari | Basanta Paravet Center | Khalanga, SALYAN | 9847886846 | Was financially supported by local NGO for establishment |
| 28 | Mr Topendra KC | Shishir Agrovet Center | Khalanga, SALYAN | 082-520104 | |
| 29 | Mr Kusma KC | Kusma Paraveterinary Clinic | Shrinagar, SALYAN | 9847844417 | 21 yr lady runs it alone and in her absence discussed with her sister in law |
| 30 | Mr Ghuman Singh | Rapti Agrovet | Shrinagar, SALYAN | 9847844701 | Did not use questionnaire, husband was away and wife knew little |
| 31 | Mr Yam Bahadur Dai | Aabha Agrovet | Shrinagar, SALYAN | 082-690199 | Also talked to one of the farmer who was buying. |
| 32 | Mr Shasikant Thakur | Sanskriti & Thakur Agrovet Center | Lanti Bazar, SALYAN | 088-690184 | Opened shop 4 months back and doing good |
| 33 | Mr Subhakar Ghimire | Ganga Agro Center | Lamahi, DANG | 082-540099 | Turnover of over Rs 10 million, due to strategic location |
| 34 | Mr Khim Lal Khanal | Deurali Agrovet | Lamahi, DANG | 9847825668 | Equally doing good in volume and turnover |

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|----|------------------------------|-----------------------------|---------------------------------------|--------------------------------|--|
| 35 | Mr Prakash Budhathoki | Rapti Agrovet | Bhaluwang, DANG | 9847829647 | |
| 36 | Mr Chandra Mani Khanal | Tribeni Agrovet | Bhaluwang, DANG | 082-691330 | Concentrates on veterinary items and frequently visits field |
| 37 | Mr Baburam Neupane | Kalika Agrovet Center | Bijuwar, PYUTHAN | 086-200009 | Got several partners including government staffs |
| 38 | Mr Dil Bahadur Khadka | New Swargadwari Agro Center | Bijuwar, PYUTHAN | 9847821900 | |
| 39 | Mr Narendra Bahadur Bhandari | Satyawati Agrovet Center | Bijuwar, PYUTHAN | 086-460138 | |
| 40 | Omar Raj Thapa | Purbanchal Agrovet | Biratnagar-7, Dharan Road Shivamandir | 021-532941, 522621, 9852021563 | |
| 41 | Mr. Sushil Agrawal | Isha Agrovet | Biratnagar-7, Dharan Road Shivamandir | | |
| 42 | Krishna Kumar Shrestha | Sairam Agro traders | Biratnagar-7, Dharan Road Shivamandir | 021-536922, 9842021090 | |
| 43 | Rishi Bachan Yadav | Veterinary medicine world | Biratnagar-8, Dharan Road Shivamandir | 021-525079, 531719, 9852022498 | |
| 44 | Manu Mishra | Bishal Agrovet | Phidim-1, Panchthar | | |
| 45 | Bhanu Tamang | Sajha krishi Bhandar | Phidim-1, Panchthar | | |
| 46 | Mr. Kedar Rayamajhi | Pathivara Krishi Bhandar | Phidim-1, Panchthar | 9742601881 | |
| 47 | Mani Kumar Prasai | Jhapa Krishi Bhandar | Kakarvitta Road, Birtamode, Jhapa | 9852672048 | |
| 48 | Ms. Menaka Baral | Suwani Krishi Bhandar | Anarmani-4, Birtamode, Jhapa | 023-541892 | |
| 49 | Mr. Nirmal Uprety | | Ilam-2, Bhanupath | 027-521399 | |
| 50 | Bhesh Raj Parajuli | Krishi Beej Bhandar | Ilam-2, Chokbazzar | | |

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|----|--------------------------|-------------------------------------|---------------------------------------|------------------------|--|
| 51 | Vijay Shrestha | The United Machinery and Appliances | Biratnagar-15, Dharan road | 021-524859 | |
| 52 | Jeevan Niraula | Niraula ji Machinery | Biratnagar-15, Dharan road | 021-530621 | |
| 53 | Mr. Rakesh Bachhan Yadav | Bachchan Agrico | Biratnagar-8, Dharan Road Shivamandir | 021-531720, 9852021115 | |

OTHERS INTERVIEWED

| N. | Date | Name of Respondent | Name of Company | Address | Telephone | Important Remark |
|----|--------------|--------------------------------|--------------------------------|-----------------------|-----------|--|
| 1 | May 3, 2011 | Mr Rolf Schinkel, Agri Adviser | SNV Nepal | Bakhundole, LALITPUR | 5523444 | |
| 2 | May 4, Wed | Mr Durga Adhikari, GS | SEAN | Rabibhawan, KATHMANDU | 4030534 | Seed Entrepreneurs' Association |
| 3 | May 4, Wed | Mr Nanu Jha, MD | National Seed Company Ltd. | Kuleshwor, KATHMANDU | 4279207 | Govt. undertaking and concentrates only on seeds |
| 4 | May 10, Tues | Mr Pashupati Gautam, MD | Agriculture Inputs Company Ltd | Kuleshwor, KATHMANDU | 4278790 | Govt. undertaking and concentrates only on fertilizers |
| 5 | May 11, Wed | Mr Arend van Riessen | IDE Nepal | Bakhundole, LALITPUR | 5591321 | |

ANNEX D: NEAT PROJECT DISTRICTS

